

BUDGET LETTER

SUBJECT: EMPLOYER RETIREMENT RATES	NUMBER: 11-27
REFERENCES: CONTROL SECTION 3.60, BUDGET ACT OF 2011	DATE ISSUED: September 16, 2011
	SUPERSEDES: BL 11-07

TO: Agency Secretaries
Department Directors
Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

NOTE: Budget Officers are requested to forward a copy of this Budget Letter (BL) to Human Resources and Labor Relations Offices.

Deadlines and Deliverables

October 7, 2011	Control Section (CS) 3.60 attachments and supporting documentation due to your Department of Finance (Finance) budget analyst.
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This BL provides instructions for fiscal year 2011-12 employer retirement rate adjustments.

A. Background

Retirement Rates Have Changed

Pursuant to CS 3.60, departmental appropriations will be adjusted to accurately reflect the state's share of retirement costs through the Budget Executive Order process. Any previous reductions for retirement contributions that were a result of increased employee contributions were already made through CS 3.91 (see BL 10-33) and will be used to offset the total retirement contributions (2011-12) calculated pursuant to the final rates provided in this BL.

The following table displays the retirement rates for 2010-11 and the rates for 2011-12:

-A-	-B-	-C-
Retirement Category	2010-11 Retirement Rates	2011-12 Retirement Rates
Miscellaneous, Tier 1	19.922%	18.175%
CSU, Miscellaneous, Tier 1	19.922%	18.175%
Miscellaneous, Tier 2	19.622%	17.025%
State Industrial	18.183%	14.934%
State Safety	20.672%	16.428%
Peace Officer/Firefighter	28.887%	27.415%
CSU, Peace Officer/Firefighter	28.887%	27.415%
Highway Patrol	32.625%	31.264%

B. Instructions

To request funding for eligible adjustments, departments must complete and submit Attachments 1, 2, 3, 4, and related supporting documentation to their Finance budget analyst **no later than Friday, October 7, 2011**. This information is necessary to support the funding request and to provide the necessary scheduling information to the State Controller's Office to process the Budget Executive Order. **If a department fails to meet this deadline, Finance will calculate and schedule the adjustment. Please note that departments may not have an opportunity to adjust any calculations and scheduling done by Finance.** Refer to the following attachments to calculate appropriate adjustments:

- Attachment A **Treatment of Budget Documents**
- Attachment 1 **CS 3.60 Employer Retirement Rate Contribution Adjustment Worksheet**
- Attachment 2 **CS 3.60 Employer Retirement Rate 6 Unit Contribution Adjustment Worksheet**
- Attachment 3 **CS 3.60 Employer Retirement Rate Scheduling Worksheet**
- Attachment 4 **CS 3.60 Employer Retirement Rate Planning Estimate Worksheet**

Attachment A – Treatment of Budget Documents

Attachment A provides instructions to properly post retirement adjustments to the Planning Estimates and Schedule 10s. The attachment also provides an example of CS 3.60 retirement adjustments as displayed in the Detail of Appropriations and Adjustments section of the Governor's Budget. Departments must include the adjustments on their Schedule 10s and Budget Spreadsheets.

Attachment 1 – CS 3.60 Employer Retirement Rate Contribution Adjustment Worksheet

For the 2011-12 Salary Base, use the total salaries in the "regular/ongoing positions" current year column (2011-12) from the 2012-13 Schedule 7A - Authorized Salaries and Wages. This will need to be reduced by the Workforce Cap Savings that are not already included in the current year column (2011-12) of the 2012-13 Schedule 7A. Please refer to BL 10-31 for details on the Workforce Cap. The salary base should tie to the Schedule 7A; however, they should be adjusted, where necessary, to reflect the Workforce Cap savings that have not yet been displayed in the current year of the 2012-13 Schedule 7A.

All cells are formula-driven except the Salary Savings Rate, the 2011-12 Salary Base, the Workforce Cap Savings, the 2011-12 CS 3.91 Retirement Reduction (yellow cell), and the 2011-12 Total By Fund Class; do not modify any formulas. For the Salary Savings Rate, use the 2011-12 budgeted salary savings rate that was included in the 2012-13 Budget Spreadsheet.

The Alternate Retirement Program (ARP) is a mandatory savings program for certain state employees during their first two years of employment with the State of California. If you have new employees enrolled in ARP, include them in the Miscellaneous Tier 1 retirement category total in order to accurately calculate this exercise.

The 2011-12 CS 3.91 Retirement Reduction (yellow cell) is the retirement savings that were reduced from a department's budget in the 2011-12 Budget Act through CS 3.91 pursuant to BL 10-33. This information was calculated by departments. This total should only reflect the portion of PE Line 0120 (2011-12) on Attachment 4c of BL 10-33 that is specific to the retirement savings calculated for the first fifteen bargaining units that had contracts during 2010 and excluded employees. The total a department enters into cell R21 should not exceed, under any circumstances, what departments reflected in cell N28 of Attachment 4c of BL 10-33 (this attachment and the detail behind the calculation must be provided as backup to your Finance budget analyst). As departments calculated

this number last fall, they should already have the value and calculation details of this total. If further assistance is necessary, contact your Finance budget analyst.

Attachment 2 – CS 3.60 Employer Retirement Rate 6 Unit Contribution Adjustment Worksheet

Since six more bargaining units entered into contracts during 2011, the details of those retirement savings are to be calculated on Attachment 2. These calculations are all off budget. While these are non-add numbers and already included in the retirement adjustment, as determined on Attachment 1, these calculations are necessary for Finance to track the savings that were included in CS 3.90 for the current fiscal year.

Attachment 3 – CS 3.60 Employer Retirement Rate Scheduling Worksheet

Provide scheduling information for all adjustments. The total from Attachment 3, CS 3.60 Employer Retirement Rate Scheduling Worksheet, **must** tie to the total from Attachment 4, CS 3.60 Employer Retirement Rate Planning Estimate Worksheet. Attachment 3 is in whole dollars and Attachment 4 is in thousands.

Manually post and clearly note the 2011-12 adjustments listed on Attachment 3 to current year (2011-12) Schedule 10s.

Attachment 4 – Planning Estimate Adjustment Summary

Disaggregate the amounts shown on Attachment 1, CS 3.60 Employer Retirement Rate Contribution Adjustment Worksheet, by Item of Appropriation. Both current year (2011-12) and budget year (2012-13) totals must tie. If there is a transfer of funds, please indicate all affected (Budget Act and non-Budget Act) items.

In order to correctly classify funds, please refer to the Uniform Codes Manual, Numerical Fund Listing, found at: (<http://www.dof.ca.gov/html/calstars/ucm/20fundnum.pdf>). **Categorize federal funds and bond funds as non-governmental cost funds.** Identify Reimbursements separately. These classifications will roll into Attachment 1.

C. Treatment of Budget Documents

Use the CS 3.60 Employer Retirement Rate Contribution Adjustment Worksheet (Attachment 1) to calculate the required budget adjustment. Departmental budget staff and their respective Finance budget analysts will make the necessary adjustments to the 2011-12 and 2012-13 budget documents to reflect the retirement rate adjustments identified in Attachment 1. These include adjustments to the Planning Estimates, Schedule 10s, the Governor's Budget Expenditure by Category, etc.

See Attachment A of this BL for instructions on the treatment of budget documents.

D. Additional Information

Questions regarding treatment of attachments based on budget documents should be directed to your Finance budget analyst. Technical guidance on this BL should be directed to either Rose Vellanoweth or Koreen Martone, Employee Compensation Unit, at (916) 445-3274.

/s/ Richard Gillihan for
Diana L. Ducay
Program Budget Manager

Attachments

**TREATMENT OF BUDGET DOCUMENTS
EMPLOYER RETIREMENT RATE CONTRIBUTION ADJUSTMENTS**

A. Planning Estimates

Section 3.60—Post the totals from the completed Attachment 4 to Planning Estimates (PE) line 0200 for each applicable item of appropriation reflected on Attachment 4. These baseline adjustments must be entered for both **current year** (2011-12) and **budget year** (2012-13). Attachment 4 will be used by Finance budget analysts to update the PE system, which may occur prior to Finance budget analysts receiving completed PE worksheets from departments.

B. Schedule 10s

A Budget Executive Order will be prepared to adjust 2011-12 departmental appropriations due to the change in retirement rates. Departments must **manually** post the 2011-12 adjustments listed on Attachment 3 to their current year (2011-12) Schedule 10s.

Example:

Adjustment per Section 3.60:

Program A	-\$XXX
Program B	-\$XXX
Reimbursements	<u>\$XXX</u>
Total	-\$XXX

C. Detail of Appropriations and Adjustments

Adjustments per Control Section 3.60 will be displayed in the automated Detail of Appropriations and Adjustments on the line titled "Adjustment per Section 3.60," based on the adjustments posted on the department's Schedule 10s.

Example

DETAIL OF APPROPRIATIONS AND ADJUSTMENTS
STATE OPERATIONS
0001 General Fund

	2010-11	2011-12	2012-13
APPROPRIATIONS			
001 Budget Act appropriation	\$XXX	\$XXX	\$XXX
Adjustment per Section 3.60	<u>XX</u>	<u>XX</u>	<u>--</u>
Totals Available	\$XXX	\$XXX	\$XXX
Unexpended balance, estimated savings	<u>-X</u>	<u>--</u>	<u>--</u>
TOTALS, EXPENDITURES	\$XXX	\$XXX	\$XXX